

The Budget By Function

The following three tables show the President's budget broken down by budget function, which correspond with the major areas of federal government activity. The first table shows total spending (appropriated and mandatory) for each budget function. The second table shows the budget for appropriated (or "discretionary") spending, which is spending controlled by the annual appropriations process. The third table shows the budget for mandatory spending, which is spending provided for through authorizing legislation. Mandatory spending includes entitlement programs such as Medicare, Medicaid, and Social Security, as well as interest payments on the federal debt. Figures may not add due to rounding.

NEW BUSH FY 2002 BUDGET, OMB ESTIMATES
TOTAL BUDGET
(In billions of dollars)

	2001	2002	2003	2004	2005	2006	5 Yr. Total
Budget Authority	1,893.5	2,004.6	2,041.9	2,101.8	2,187.8	2,251.0	10,587.1
Outlays	1,856.2	1,960.6	2,016.2	2,076.7	2,168.7	2,223.9	10,446.2
Revenues	2,136.9	2,191.7	2,258.2	2,338.8	2,437.8	2,528.7	11,755.3
Surplus(+)/Deficit(-)	280.7	231.2	242.0	262.1	269.0	304.8	1,309.1
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050 National Defense							
Budget authority	310.6	325.1	333.9	342.8	352.2	361.9	1,715.9
Outlays	299.1	319.2	322.1	333.1	347.2	354.0	1,675.5
150 International Affairs							
Budget authority	18.6	22.3	22.8	22.9	23.6	24.4	116.1
Outlays	17.5	21.0	21.3	21.5	21.6	22.2	107.5
250 General Science, Space							
Budget authority	21.0	21.4	22.1	22.5	22.9	23.5	112.4
Outlays	19.7	20.8	21.4	22.2	22.6	23.1	110.1
270 Energy							
Budget authority	(0.9)	(0.4)	(0.2)	(0.5)	(0.4)	(0.2)	(1.8)
Outlays	(0.7)	(0.3)	(0.1)	(0.6)	(0.4)	(0.3)	(1.7)
300 Natural Resources and Environment							
Budget authority	28.5	26.6	27.2	27.9	27.9	27.7	137.3
Outlays	27.4	27.5	27.7	28.0	28.4	28.7	140.3
350 Agriculture							
Budget authority	29.3	15.8	14.2	14.1	14.5	14.9	73.6
Outlays	25.9	18.6	15.0	14.0	14.1	14.5	76.2
370 Commerce and Housing Credit							
Budget authority	(6.5)	10.3	8.4	6.7	6.6	6.6	38.7
Outlays	(0.8)	6.9	4.7	3.6	3.5	2.3	21.1
400 Transportation							
Budget authority	61.5	62.1	60.0	61.5	63.1	64.8	311.4
Outlays	51.1	55.0	57.5	59.7	62.1	63.8	298.1
450 Community and Regional Development							
Budget authority	10.4	10.1	10.4	10.5	10.7	10.9	52.5
Outlays	10.6	11.7	11.3	10.8	10.5	10.1	54.4
500 Education and Training							
Budget authority	70.3	98.5	82.0	84.1	86.7	89.3	440.7
Outlays	65.3	76.6	81.3	82.6	84.7	87.2	412.5
550 Health							
Budget authority	181.4	204.9	230.0	246.3	254.1	268.1	1,203.4
Outlays	175.3	201.5	224.4	243.3	250.7	264.8	1,184.7
570 Medicare							
Budget authority	219.0	229.9	242.3	255.6	282.9	296.3	1,306.9
Outlays	219.3	229.9	242.1	255.9	282.8	296.0	1,306.7
600 Income Security							
Budget authority	261.9	277.1	286.4	298.1	310.6	319.2	1,491.4
Outlays	262.6	275.7	285.9	295.9	308.8	317.1	1,483.4
650 Social Security							
Budget authority	435.3	456.8	479.1	503.8	530.3	559.3	2,529.3
Outlays	433.6	455.1	477.1	501.6	528.1	556.8	2,518.8
700 Veterans							
Budget authority	47.7	51.8	53.8	55.9	57.8	59.7	279.0
Outlays	45.4	51.6	53.6	55.8	60.4	59.6	280.9
750 Administration of Justice							
Budget authority	30.4	31.6	32.5	34.7	35.2	36.0	169.9
Outlays	29.4	32.3	35.4	35.5	35.2	35.8	174.1
800 General Government							
Budget authority	16.2	16.6	16.9	18.4	17.6	17.9	87.4
Outlays	16.8	16.3	16.7	18.4	17.4	17.6	86.4
900 Net Interest							
Budget authority	206.4	188.1	175.2	161.5	144.7	127.2	796.8
Outlays	206.4	188.1	175.2	161.5	144.7	127.2	796.7
920 Allowances							
Budget authority	0.0	5.3	5.4	5.6	5.7	5.8	27.8
Outlays	0.0	2.4	3.9	4.7	5.4	5.7	22.0
950 Undistributed Offsetting Receipts							
Budget authority	(47.7)	(49.4)	(60.4)	(70.6)	(58.9)	(62.4)	(301.6)
Outlays	(47.7)	(49.4)	(60.4)	(70.6)	(58.9)	(62.4)	(301.6)

Table 1

NEW BUSH FY 2002 BUDGET, OMB ESTIMATES

**TOTAL BUDGET
(In billions of dollars)**

	2007	2008	2009	2010	2011	Second 5	10 Yr. Total
Budget Authority	2,336.6	2,428.8	2,526.1	2,628.5	2,739.3	12,659.3	23,246.4
Outlays	2,303.4	2,397.9	2,490.3	2,593.5	2,706.3	12,491.4	22,937.5
Revenues	2,643.3	2,770.6	2,909.9	3,058.4	3,232.6	14,614.8	26,370.1
Surplus(+)/Deficit(-)	339.9	372.7	419.6	465.0	526.2	2,123.4	3,432.5
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050 National Defense							
Budget authority	372.1	382.6	393.3	404.4	415.8	1,968.2	3,684.2
Outlays	360.5	373.6	384.3	395.5	410.9	1,924.8	3,600.3
150 International Affairs							
Budget authority	25.4	26.2	26.8	27.4	28.1	133.9	250.0
Outlays	22.9	23.5	24.0	24.6	25.2	120.2	227.7
250 General Science, Space							
Budget authority	24.0	24.6	25.1	25.7	26.3	125.7	238.1
Outlays	23.7	24.2	24.8	25.3	25.9	123.9	234.0
270 Energy							
Budget authority	(0.1)	1.3	1.7	1.8	1.8	6.4	4.6
Outlays	(0.2)	1.2	1.6	1.7	1.7	5.9	4.2
300 Natural Resources and Environment							
Budget authority	28.3	29.0	29.5	30.0	30.5	147.2	284.6
Outlays	29.1	29.4	29.6	29.9	30.3	148.2	288.5
350 Agriculture							
Budget authority	15.3	15.6	15.9	16.2	16.5	79.5	153.1
Outlays	14.8	15.1	15.5	15.9	16.2	77.5	153.7
370 Commerce and Housing Credit							
Budget authority	7.4	7.8	10.5	13.8	9.5	49.0	87.7
Outlays	4.4	4.0	4.9	8.3	5.1	26.8	47.8
400 Transportation							
Budget authority	66.4	68.1	69.7	72.5	74.5	351.3	662.8
Outlays	65.4	66.9	68.5	70.0	71.5	342.3	640.5
450 Community and Regional Development							
Budget authority	11.1	11.3	11.6	11.9	12.1	58.0	110.5
Outlays	10.0	10.1	10.3	10.5	10.8	51.7	106.1
500 Education and Training							
Budget authority	91.7	94.1	96.8	99.6	102.5	484.6	925.3
Outlays	89.6	91.9	94.5	97.2	100.0	473.3	885.8
550 Health							
Budget authority	288.6	309.6	332.3	356.8	382.6	1,669.9	2,873.3
Outlays	284.6	305.7	328.3	353.7	378.4	1,650.7	2,835.4
570 Medicare							
Budget authority	317.6	339.7	362.7	388.1	423.6	1,831.7	3,138.7
Outlays	317.9	339.6	362.5	388.4	423.4	1,831.8	3,138.5
600 Income Security							
Budget authority	327.2	341.6	353.8	364.8	380.1	1,767.4	3,258.9
Outlays	325.1	338.9	349.4	361.3	376.2	1,750.9	3,234.4
650 Social Security							
Budget authority	590.7	625.0	663.7	706.1	751.8	3,337.3	5,866.6
Outlays	588.0	622.0	660.3	702.5	747.8	3,320.8	5,839.5
700 Veterans							
Budget authority	61.4	63.1	64.9	66.5	68.1	324.0	602.9
Outlays	59.0	63.0	64.7	66.3	68.0	321.0	601.9
750 Administration of Justice							
Budget authority	36.9	37.8	38.7	39.6	40.5	193.4	363.3
Outlays	36.6	37.5	38.4	39.3	40.2	191.9	366.0
800 General Government							
Budget authority	18.2	18.3	18.8	19.2	19.6	94.2	181.6
Outlays	18.0	18.3	18.5	18.9	19.3	92.9	179.4
900 Net Interest							
Budget authority	108.9	90.3	69.1	45.7	19.8	333.7	1,130.4
Outlays	108.9	90.3	69.1	45.7	19.8	333.7	1,130.4
920 Allowances							
Budget authority	5.9	6.1	6.2	6.3	6.5	31.1	58.9
Outlays	5.8	5.9	6.1	6.2	6.3	30.4	52.4
950 Undistributed Offsetting Receipts							
Budget authority	(60.6)	(63.2)	(65.0)	(67.8)	(70.8)	(327.3)	(628.9)
Outlays	(60.6)	(63.2)	(65.0)	(67.8)	(70.8)	(327.3)	(628.9)

Table 1 (continued)

NEW BUSH FY 2002 BUDGET AS ESTIMATED BY OMB
DISCRETIONARY PROGRAMS
(In billions of dollars)

	2001	2002	2003	2004	2005	2006	5 Yr. Total
Total Discretionary							
Budget Authority	634.9	660.6	685.1	702.7	720.1	737.9	3,506.4
Outlays	649.4	691.7	711.8	731.2	754.5	770.4	3,659.6
Non-defense discretionary							
Budget Authority	323.6	335.5	351.1	359.5	367.4	375.4	1,789.0
Outlays	349.8	372.5	389.7	397.8	406.8	415.8	1,982.7
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050 National Defense							
Budget authority	311.3	325.1	333.9	343.2	352.7	362.5	1,717.4
Outlays	299.6	319.2	322.1	333.5	347.6	354.6	1,677.0
150 International Affairs							
Budget authority	22.7	23.9	24.4	24.9	25.5	26.0	124.7
Outlays	24.1	24.5	24.7	24.9	25.0	25.6	124.7
250 General Science, Space							
Budget authority	20.9	21.2	21.9	22.4	22.9	23.5	111.9
Outlays	19.6	20.7	21.2	22.0	22.5	23.1	109.5
270 Energy							
Budget authority	3.1	2.8	2.9	3.1	3.2	3.3	15.2
Outlays	3.0	3.0	3.0	3.1	3.2	3.3	15.6
300 Natural Resources and Environment							
Budget authority	28.7	26.4	27.0	27.6	27.6	27.4	136.1
Outlays	27.6	27.6	27.6	27.7	28.3	28.5	139.8
350 Agriculture							
Budget authority	5.1	4.8	5.2	5.2	5.3	5.4	25.9
Outlays	5.5	5.5	5.2	5.3	5.3	5.4	26.6
370 Commerce and Housing Credit							
Budget authority	0.7	(0.3)	(0.1)	(0.4)	(0.5)	(0.5)	(1.7)
Outlays	1.7	0.4	0.1	(0.3)	(0.5)	(0.5)	(0.9)
400 Transportation							
Budget authority	18.9	16.8	17.8	18.2	18.6	19.0	90.3
Outlays	48.9	53.2	55.4	57.7	60.2	61.9	288.5
450 Community and Regional Development							
Budget authority	11.0	10.4	10.7	10.9	11.1	11.3	54.3
Outlays	11.2	12.0	12.0	11.7	11.5	11.3	58.5
500 Education and Training							
Budget authority	61.1	65.4	67.1	69.0	70.7	72.3	344.5
Outlays	56.1	62.2	66.5	67.4	69.0	70.7	335.8
550 Health							
Budget authority	38.9	41.0	45.7	46.9	48.1	49.4	231.1
Outlays	34.1	38.5	41.7	45.0	46.8	48.1	220.2
570 Medicare							
Budget authority	3.4	3.5	3.5	3.6	3.7	3.8	18.2
Outlays	3.3	3.5	3.5	3.6	3.7	3.8	18.1
600 Income Security							
Budget authority	39.5	42.8	45.1	46.7	48.3	49.6	232.4
Outlays	45.5	46.9	48.0	48.6	49.4	50.4	243.3
650 Social Security							
Budget authority	3.4	3.5	3.6	3.7	3.8	3.8	18.4
Outlays	3.6	3.5	3.6	3.7	3.8	3.8	18.4
700 Veterans							
Budget authority	22.5	23.5	24.0	24.5	25.1	25.7	122.7
Outlays	22.4	23.4	23.9	24.5	25.0	25.6	122.5
750 Administration of Justice							
Budget authority	30.0	29.8	31.9	32.3	32.8	33.5	160.2
Outlays	28.8	30.8	34.3	32.9	32.7	33.3	164.0
800 General Government							
Budget authority	14.0	14.8	15.0	15.4	15.7	16.0	76.9
Outlays	14.5	14.5	14.9	15.2	15.5	15.8	76.0
900 Net Interest							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
920 Allowances							
Budget authority	0.0	5.3	5.4	5.6	5.7	5.8	27.8
Outlays	0.0	2.4	3.9	4.7	5.4	5.7	22.0
950 Undistributed Offsetting Receipts							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 2

NEW BUSH FY 2002 BUDGET AS ESTIMATED BY OMB
DISCRETIONARY PROGRAMS
(In billions of dollars)

	2007	2008	2009	2010	2011	Second 5	10 Yr. Total
Total Discretionary							
Budget Authority	757.2	777.2	797.5	822.2	837.6	3,991.7	7,498.1
Outlays	786.5	809.5	830.0	854.4	876.5	4,156.8	7,816.5
Non-defense discretionary							
Budget Authority	384.6	394.1	403.6	417.2	421.3	2,020.9	3,809.8
Outlays	425.5	435.3	445.1	458.4	465.1	2,229.5	4,212.1
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050 National Defense							
Budget authority	372.6	383.1	393.8	404.9	416.4	1,970.8	3,688.2
Outlays	361.0	374.1	384.9	396.0	411.4	1,927.3	3,604.3
150 International Affairs							
Budget authority	26.6	27.2	27.8	28.4	29.0	139.1	263.8
Outlays	26.1	26.6	27.2	27.8	28.4	136.2	260.9
250 General Science, Space							
Budget authority	24.0	24.5	25.1	25.7	26.2	125.5	237.5
Outlays	23.7	24.2	24.7	25.3	25.9	123.7	233.3
270 Energy							
Budget authority	3.4	3.9	4.0	4.0	4.0	19.4	34.6
Outlays	3.4	3.9	4.0	4.0	4.0	19.3	34.9
300 Natural Resources and Environment							
Budget authority	28.1	28.7	29.3	30.0	30.6	146.7	282.7
Outlays	28.9	29.1	29.5	30.0	30.5	147.9	287.6
350 Agriculture							
Budget authority	5.5	5.7	5.8	5.9	6.0	28.8	54.7
Outlays	5.5	5.6	5.7	5.9	6.0	28.7	55.3
370 Commerce and Housing Credit							
Budget authority	0.4	0.6	1.1	5.5	0.3	7.9	6.1
Outlays	0.4	0.6	1.0	4.6	1.4	8.0	7.1
400 Transportation							
Budget authority	19.4	19.8	20.3	20.7	21.2	101.4	191.7
Outlays	63.5	65.0	66.5	68.0	69.5	332.5	621.0
450 Community and Regional Development							
Budget authority	11.4	11.7	11.9	12.2	12.4	59.6	114.0
Outlays	11.2	11.4	11.6	11.8	12.0	58.0	116.6
500 Education and Training							
Budget authority	73.8	75.4	77.1	78.8	80.6	385.7	730.1
Outlays	72.2	73.8	75.4	77.1	78.8	377.3	713.1
550 Health							
Budget authority	50.5	51.6	52.7	53.9	55.0	263.6	494.7
Outlays	49.5	50.6	51.7	52.9	54.0	258.7	478.9
570 Medicare							
Budget authority	3.9	4.0	4.1	4.2	4.3	20.3	38.5
Outlays	3.9	4.0	4.1	4.1	4.2	20.3	38.4
600 Income Security							
Budget authority	50.9	52.2	53.7	55.2	56.7	268.7	501.1
Outlays	51.6	52.5	53.7	54.9	56.2	268.9	512.2
650 Social Security							
Budget authority	3.9	4.0	4.1	4.2	4.3	20.6	39.0
Outlays	3.9	4.0	4.1	4.2	4.3	20.5	38.9
700 Veterans							
Budget authority	26.2	26.8	27.4	27.9	28.7	137.1	259.8
Outlays	26.1	26.7	27.3	27.8	28.5	136.5	259.0
750 Administration of Justice							
Budget authority	34.3	35.1	36.0	36.8	37.6	179.7	340.0
Outlays	34.0	34.8	35.6	36.4	37.3	178.1	342.1
800 General Government							
Budget authority	16.4	16.8	17.2	17.5	17.9	85.8	162.7
Outlays	16.2	16.5	16.9	17.3	17.7	84.6	160.6
900 Net Interest							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
920 Allowances							
Budget authority	5.9	6.1	6.2	6.3	6.5	31.1	58.9
Outlays	5.8	5.9	6.1	6.2	6.3	30.4	52.4
950 Undistributed Offsetting Receipts							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 2 (continued)

NEW BUSH FY 2002 BUDGET
MANDATORY AND OFFSETTING RECEIPTS TOTALS
(In billions of dollars)

	2001	2002	2003	2004	2005	2006	5 Yr. Total
Total Discretionary							
Budget Authority	1,258.6	1,343.9	1,356.9	1,399.0	1,467.7	1,513.1	7,080.7
Outlays	1,206.9	1,268.8	1,304.4	1,345.5	1,414.3	1,453.5	6,786.5
Non-defense discretionary							
Budget Authority	1,259.3	1,343.9	1,356.9	1,399.4	1,468.2	1,513.7	7,082.2
Outlays	1,207.3	1,268.9	1,304.4	1,345.8	1,414.7	1,454.1	6,787.9
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050 National Defense							
Budget authority	(0.6)	(0.0)	(0.1)	(0.4)	(0.5)	(0.6)	(1.5)
Outlays	(0.4)	(0.0)	(0.0)	(0.4)	(0.4)	(0.6)	(1.4)
150 International Affairs							
Budget authority	(4.0)	(1.6)	(1.6)	(2.0)	(1.9)	(1.6)	(8.6)
Outlays	(6.7)	(3.5)	(3.4)	(3.4)	(3.4)	(3.4)	(17.2)
250 General Science, Space							
Budget authority	0.2	0.2	0.2	0.0	0.0	0.0	0.5
Outlays	0.1	0.1	0.2	0.1	0.1	0.1	0.6
270 Energy							
Budget authority	(3.9)	(3.2)	(3.1)	(3.6)	(3.6)	(3.5)	(17.0)
Outlays	(3.7)	(3.3)	(3.2)	(3.7)	(3.6)	(3.6)	(17.4)
300 Natural Resources and Environment							
Budget authority	(0.2)	0.2	0.2	0.3	0.3	0.3	1.3
Outlays	(0.2)	(0.1)	0.0	0.2	0.2	0.2	0.6
350 Agriculture							
Budget authority	24.2	11.0	9.0	9.0	9.2	9.5	47.7
Outlays	20.4	13.2	9.8	8.8	8.8	9.1	49.6
370 Commerce and Housing Credit							
Budget authority	(7.2)	10.6	8.5	7.1	7.1	7.1	40.4
Outlays	(2.5)	6.6	4.6	3.9	4.0	2.8	21.9
400 Transportation							
Budget authority	42.6	45.3	42.2	43.3	44.5	45.8	221.1
Outlays	2.2	1.8	2.0	2.0	1.9	1.9	9.6
450 Community and Regional Development							
Budget authority	(0.6)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(1.9)
Outlays	(0.6)	(0.3)	(0.7)	(0.8)	(1.1)	(1.2)	(4.2)
500 Education and Training							
Budget authority	9.2	33.1	14.9	15.1	16.0	17.0	96.2
Outlays	9.1	14.4	14.8	15.1	15.7	16.6	76.7
550 Health							
Budget authority	142.6	163.8	184.3	199.4	206.0	218.7	972.3
Outlays	141.2	163.0	182.7	198.2	203.9	216.7	964.5
570 Medicare							
Budget authority	215.6	226.4	238.8	251.9	279.2	292.5	1,288.8
Outlays	216.0	226.4	238.6	252.2	279.1	292.2	1,288.6
600 Income Security							
Budget authority	222.4	234.3	241.3	251.5	262.3	269.6	1,259.0
Outlays	217.2	228.8	237.9	247.3	259.4	266.7	1,240.1
650 Social Security							
Budget authority	431.9	453.3	475.5	500.1	526.6	555.4	2,510.9
Outlays	430.0	451.6	473.5	498.0	524.3	553.0	2,500.3
700 Veterans							
Budget authority	25.2	28.3	29.8	31.3	32.7	34.0	156.2
Outlays	23.0	28.2	29.7	31.3	35.3	33.9	158.4
750 Administration of Justice							
Budget authority	0.4	1.8	0.6	2.4	2.4	2.5	9.7
Outlays	0.7	1.5	1.1	2.5	2.5	2.5	10.1
800 General Government							
Budget authority	2.3	1.8	1.8	3.1	1.9	1.9	10.5
Outlays	2.3	1.8	1.8	3.2	1.8	1.8	10.5
900 Net Interest							
Budget authority	206.4	188.1	175.2	161.5	144.7	127.2	796.8
Outlays	206.4	188.1	175.2	161.5	144.7	127.2	796.7
920 Allowances							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
950 Undistributed Offsetting Receipts							
Budget authority	(47.7)	(49.4)	(60.4)	(70.6)	(58.9)	(62.4)	(301.6)
Outlays	(47.7)	(49.4)	(60.4)	(70.6)	(58.9)	(62.4)	(301.6)

Table 3

NEW BUSH FY 2002 BUDGET
MANDATORY AND OFFSETTING RECEIPTS TOTALS
(In billions of dollars)

	2007	2008	2009	2010	2011	Second 5	10 Yr. Total
Total Discretionary							
Budget Authority	1,579.4	1,651.5	1,728.6	1,806.4	1,901.7	8,667.6	15,748.3
Outlays	1,516.9	1,588.4	1,660.3	1,739.1	1,829.8	8,334.6	15,121.1
Non-defense discretionary							
Budget Authority	1,579.9	1,652.1	1,729.2	1,806.9	1,902.2	8,670.2	15,752.4
Outlays	1,517.4	1,588.9	1,660.8	1,739.6	1,830.4	8,337.2	15,125.1
<hr/>							
050 National Defense							
Budget authority	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(2.6)	(4.1)
Outlays	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(2.6)	(4.0)
150 International Affairs							
Budget authority	(1.2)	(1.0)	(1.0)	(1.0)	(1.0)	(5.1)	(13.7)
Outlays	(3.2)	(3.1)	(3.2)	(3.2)	(3.2)	(16.0)	(33.1)
250 General Science, Space							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.2	0.6
Outlays	0.0	0.0	0.0	0.0	0.0	0.2	0.8
270 Energy							
Budget authority	(3.5)	(2.7)	(2.3)	(2.3)	(2.3)	(13.0)	(30.0)
Outlays	(3.5)	(2.7)	(2.4)	(2.3)	(2.3)	(13.4)	(30.7)
300 Natural Resources and Environment							
Budget authority	0.2	0.3	0.2	0.0	(0.1)	0.6	1.8
Outlays	0.2	0.2	0.1	(0.1)	(0.2)	0.3	0.9
350 Agriculture							
Budget authority	9.8	9.9	10.2	10.3	10.5	50.7	98.4
Outlays	9.3	9.5	9.8	10.1	10.2	48.8	98.4
370 Commerce and Housing Credit							
Budget authority	7.1	7.1	9.4	8.3	9.3	41.2	81.6
Outlays	4.0	3.4	3.9	3.7	3.7	18.8	40.7
400 Transportation							
Budget authority	47.1	48.3	49.5	51.8	53.3	249.9	471.0
Outlays	1.9	1.9	2.0	2.0	2.0	9.8	19.5
450 Community and Regional Development							
Budget authority	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.6)	(3.4)
Outlays	(1.2)	(1.3)	(1.3)	(1.3)	(1.2)	(6.3)	(10.5)
500 Education and Training							
Budget authority	17.9	18.7	19.7	20.7	21.9	98.9	195.1
Outlays	17.4	18.1	19.1	20.1	21.2	96.0	172.6
550 Health							
Budget authority	238.2	258.0	279.6	302.9	327.6	1,406.3	2,378.6
Outlays	235.1	255.1	276.6	300.9	324.4	1,392.0	2,356.5
570 Medicare							
Budget authority	313.7	335.7	358.7	384.0	419.3	1,811.4	3,100.2
Outlays	314.0	335.6	358.4	384.3	419.2	1,811.6	3,100.1
600 Income Security							
Budget authority	276.3	289.5	300.1	309.5	323.4	1,498.7	2,757.8
Outlays	273.6	286.4	295.7	306.3	320.0	1,482.0	2,722.2
650 Social Security							
Budget authority	586.8	621.0	659.6	701.9	747.5	3,316.7	5,827.6
Outlays	584.1	618.0	656.2	698.3	743.6	3,300.3	5,800.6
700 Veterans							
Budget authority	35.2	36.3	37.5	38.5	39.4	186.9	343.1
Outlays	32.8	36.3	37.4	38.5	39.4	184.5	342.9
750 Administration of Justice							
Budget authority	2.6	2.6	2.7	2.8	2.9	13.6	23.3
Outlays	2.6	2.7	2.8	2.8	2.9	13.8	23.9
800 General Government							
Budget authority	1.8	1.6	1.6	1.7	1.7	8.4	18.9
Outlays	1.8	1.7	1.6	1.6	1.7	8.3	18.8
900 Net Interest							
Budget authority	108.9	90.3	69.1	45.7	19.8	333.7	1,130.4
Outlays	108.9	90.3	69.1	45.7	19.8	333.7	1,130.4
920 Allowances							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
950 Undistributed Offsetting Receipts							
Budget authority	(60.6)	(63.2)	(65.0)	(67.8)	(70.8)	(327.3)	(628.9)
Outlays	(60.6)	(63.2)	(65.0)	(67.8)	(70.8)	(327.3)	(628.9)

Table 3 (continued)

Function 050: National Defense

Function 050 includes funding for the Department of Defense (DOD), the nuclear weapons-related activities of the Department of Energy (DOE), and miscellaneous national security activities in various other agencies such as the Coast Guard and the Federal Bureau of Investigation. Most of this function is funded through annual appropriations, but the function includes small amounts of mandatory spending that is more than offset by receipts received from sales of used non-armament equipment. Approximately 95 percent of the appropriations in this function is for DOD.

The Defense Budget is Still Unknown

The President's budget does not represent a defense policy; instead, it is only a "placeholder" until the Secretary of Defense completes a review of U.S. defense strategy and requirements. The budget states: "The Administration will determine final 2002 and outyear funding levels only when the review is complete." The President plans to submit programmatic detail on the contents of his placeholder budget by mid-May, and is also likely to further revise the 2002 budget and future years pending completion of the defense review.

Department of Defense Funding for 2002

The President's budget for DOD for 2002 provides \$310.5 billion, which appears to be \$4.1 billion above the level needed, according to CBO, to maintain purchasing power at the 2001 level.

However, as the table on the next page indicates, \$3.9 billion of this amount is required to provide

Defense and the Tax Cut

The President asserts that his tax cut is affordable, but most defense analysts expect that the defense review will conclude that substantially more funding is required for defense than the placeholder budget assumes. In fact, the Senate has already added \$9.9 billion to the President's placeholder budget for defense appropriations for 2002 alone. In addition, in a widely reported study released last year, CBO estimated that defense funding should be raised to \$340 billion in constant 2000 dollars to maintain the current force structure. If this is the standard the President adopts, \$269 billion over ten years must be added to the placeholder budget. The CBO estimate did not include the cost of fielding a national missile defense system, which would require even more funds for defense.

Since defense currently represents about one-sixth of all federal spending, even small percentage changes in the defense budget have a large impact on the federal budget. It is difficult to assert that the tax cut is affordable without knowing what the defense budget will cost in the future.

health care benefits to Medicare-eligible military retirees for 2002 in accordance with last year's National Defense Authorization Act.

Since there was no legal requirement to provide health care to Medicare-eligible military retirees in 2001, an “apples-to-apples” comparison of funding between 2001 and 2002 should exclude this \$3.9 billion. After making this adjustment, the President's budget provides only \$200 million more than the level needed to maintain purchasing power at the 2001 level, and only \$100 million more than the budget former President Clinton recommended for 2002.

Comparing the 2002 Budget with the 2001 Budget and the Clinton Budget
(discretionary budget authority in billions of dollars)

2002 President Budget	\$310.5
<i>Less: Military Retiree Health Care</i>	<u>- \$3.9</u>
Adjusted President Budget	\$306.6
Maintaining 2001 Purchasing Power*	<u>\$306.4</u>
Bush Increase Above 2001, Adjusted for Inflation	+ \$0.2
2002 Clinton Budget**	\$310.4
<i>Less: Military Retiree Health Care</i>	<u>- \$3.9</u>
Adjusted Clinton Budget	\$306.5
Bush Increase Above Clinton	+ \$0.1

**The 2001 appropriations bill for defense did not contain funding to expand military retiree health benefits.*

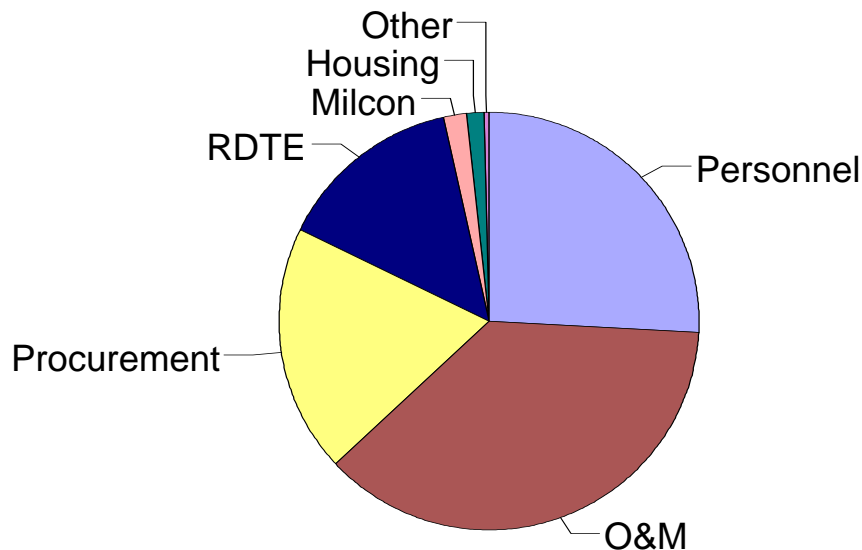
***Source: Annual Report to the President and Congress, p. 244, January 2001, and the Department of Defense.*

The Placeholder Defense Budget by Major Account

While the President's budget is still not final and no detail about specific programs was provided, the budget includes specific levels for the major DOD accounts. However, these levels are likely to change once the defense review is released later this year. The pie chart on the following page graphically displays how the DOD budget is split among the major accounts.

! ***Operations and Maintenance*** — The Operations and Maintenance (O&M) account is \$3.9 billion above the level needed, according to CBO, to maintain purchasing power at the 2001 level. However, this \$3.9 billion O&M increase is due to the new requirement to provide health benefits to Medicare-eligible military retirees. Excluding this \$3.9 billion

The DOD Budget by Major Account



for military retirees, the O&M budget is maintained at the 2001 level without an increase. The O&M account is critical to readiness because it funds training, military exercises, military operations, spare parts, fuel, and all the other items a military force needs to operate. Given the claims during the last presidential campaign that a military readiness crisis exists, it is surprising the budget fails to increase funding for this account.

- ! **Procurement** — Procurement funding in the President’s budget is \$59.5 billion, which is \$1.1 billion less than the level needed, according to CBO, to maintain purchasing power at the 2001 level. It is also below the \$60 billion procurement goal that the Joint Chiefs of Staff established several years ago.
- ! **Research and Development** — The Research and Development (R&D) account of the budget is \$44.4 billion, which is \$2.6 billion more than the level needed, according to CBO, to maintain purchasing power at the 2001 level. This is also equal to the amount the President announced he would add to the R&D account to keep his campaign promise to add \$20 billion over five years. This \$2.6 billion is a “down payment” on that \$20 billion.
- ! **Military Personnel** — While the President’s budget is silent on details about the specifics within each major DOD account, according to the February Blueprint and the President’s own statements at Fort Stewart, Georgia, on February 12, the budget adds \$400 million

to provide an across-the-board pay raise of 4.6 percent. However, last year's National Defense Authorization Act mandates a 4.6 percent raise, so the budget is only complying with current law.

In addition, the budget provides \$1.0 billion for military personnel to be distributed at the discretion of the Secretary of Defense "to address specific recruiting and retention needs." Although the budget is not entirely clear, it appears that this funding is likely to be used for military bonuses. If so, the \$1.0 billion will be a one-time-only increase for military personnel rather than increasing pay into the future, as would an across-the-board pay raise. This is inconsistent with a campaign promise the President made at least twice and advertised on his campaign web site to increase the pay raise by \$1.0 billion above what Congress mandated last year. The campaign pledge clearly distinguished between a pay raise and bonuses.

Department of Energy National Security Programs

The budget provides \$13.4 billion for the nuclear weapons-related activities of the Department of Energy (DOE). This level is approximately \$480 million (3.4 percent) below the level needed, according to CBO, to maintain purchasing power for these national security activities at their 2001 levels.

! ***Stockpile Stewardship*** — This program maintains the safety and reliability of nuclear weapons in the absence of underground tests. Stockpile stewardship relies on computer modeling, surveillance of weapons, and experiments that do not produce nuclear

National Missile Defense

The R&D account contains most of the funding for national missile defense (NMD). The budget provides no details on the Administration's plans for national missile defense. However, the February Blueprint states that the budget "commits America to developing, designing, and building a national missile defense as fast as possible. Starting now." In addition, the February Blueprint states that it must build missile defenses "designed to protect our deployed forces abroad, all 50 states, and our friends and allies overseas."

Since the budget does not specify whether these systems will be ground-based, sea-based, space-based, or a combination thereof, it is difficult to estimate the cost of this proposal. However, a system that combines all three approaches could easily cost more than \$100 billion over the next ten years. Given that the February Blueprint only earmarks a portion of the \$20 billion R&D initiative "to continue research, development, and testing of a missile defense program," it is a virtual certainty that the defense budget as proposed has insufficient funds to meet the budget's stated and ambitious ballistic missile defense goals. Presumably this lack of funding will be addressed in the President's final defense budget.

yields. The budget provides \$5.3 billion for the stockpile stewardship program, which is \$170 million above the level needed to maintain purchasing power at the 2001 level.

! **Counterintelligence Funding** — The budget provides \$46 million for the counterintelligence office, which is the DOE's primary office for preventing nuclear espionage at DOE facilities. This funding is \$1.4 million more than the 2001 appropriated level, which is just slightly less than the level needed, according to CBO, to maintain purchasing power at the 2001 level. Given the poor track record of security at DOE facilities, it is somewhat surprising that the budget does not provide an increase in real terms. Many independent analysts believe that counterintelligence funding needs steady and sustained increases for several more years to address all of DOE's potential security vulnerabilities.

! **Nuclear Nonproliferation Programs Cut** — The DOE oversees several important programs to stop the spread of nuclear materials to terrorist groups and nations that are hostile to the U.S. Most of these programs are focused on Russia and other states of the former Soviet Union. The President's budget provides \$774 million for these programs for 2002, which is about \$120 million (13 percent) below the level needed, according to CBO, to maintain purchasing power at the 2001 level. This level is \$100 million (11.5 percent) less than the 2001 appropriated level. The following list includes most of the specific programs and the amounts they are cut compared to the 2001 appropriated level (in millions of dollars):

<u>Program</u>	<u>Cut</u>
<i>Chemical and Biological Weapon Response Research</i>	-12.0
<i>Technologies to Detect Weapons of Mass Destruction</i>	-25.0
<i>Nuclear Explosion Monitoring</i>	-14.3
<i>International Reactor Safety (Russia and Ukraine)</i>	- 5.6
<i>Safe Storage of Plutonium in Spent Nuclear Fuel Rods</i>	-24.0
<i>Nuclear Cities Initiative</i>	-20.0
<i>International Proliferation Program</i>	- 2.0
<i>Fissile Material Protection, Control, and Accounting</i>	-30.9

The list exceeds \$100 million because the budget does increase a few selected nonproliferation programs, such as the highly-enriched uranium blend down project and the construction of the Nonproliferation and International Security Center at the Los Alamos Laboratory.

! **Office of Environmental Safety and Health** — This office advises the Secretary of Energy on the status of health and safety of DOE workers, the public, and the environment near DOE facilities. Last year, Congress authorized a program to compensate former DOE

workers who were exposed to radiation at a time when the DOE had no such office. The President's budget includes \$105 million for this office, which is \$21 million less than the 2001 appropriated level. The budget assumes that \$10 million will be available from unspent funds from prior years, and decreases funding for public health activities and the Medical Surveillance Information System. The budget also assumes no further studies at the gaseous diffusion plants (such as the one in Paducah, Kentucky) will be required in 2002.

- ! ***Cleanup of Radioactive Waste at Former Weapons Production Sites*** — The President's budget cuts the efforts to cleanup nuclear and other hazardous waste at the former nuclear weapons production sites of the Department of Energy by \$458 million (7.4 percent) compared with the level needed, according to CBO, to maintain purchasing power at the 2001 level. The budget is \$243 billion below the 2001 freeze level.

Function 150: International Affairs

Function 150 contains funding for all U.S. international activities, including: operating U.S. embassies and consulates throughout the world; providing military assistance to allies; aiding underdeveloped nations; dispensing economic assistance to fledgling democracies; promoting U.S. exports abroad; making U.S. payments to international organizations; and contributing to international peacekeeping efforts. Funding for all of these activities constitutes about one percent of the federal budget.

- ! ***Apparent Increase for 2002 Not As Large As Claimed*** — President Bush’s budget provides \$23.9 billion for all U.S. international activities, which is \$661 million (2.7 percent) above the level needed, according to CBO, to maintain purchasing power for international programs at the 2001 level. However, the net increase for antinarcotics programs, (including Plan Colombia) consumes virtually all of the net increase in the function. The budget increases funding for all antinarcotics programs by \$615 million more than the level needed to maintain purchasing power at the 2001 level. Excluding this antinarcotics funding to provide an “apples to apples” comparison of 2001 appropriations with the 2002 budget, the budget provides barely any overall increase.

The President’s International Affairs Budget Through 2006

Discretionary Budget Authority

(In Billions of Nominal Dollars and Constant 2000 Dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Nominal \$	23.8	22.7	23.9	24.4	24.9	25.5	26.0
Nominal Increase	na	-1.1	+ 1.2	+ .5	+ .5	+ .6	+ .6
Constant \$	24.9	23.2	23.9	23.8	23.7	23.6	23.5
Inc. in Constant \$	na	-1.7	+ 0.7	-0.1	-0.1	-0.1	-0.1

- ! ***International Affairs Funding in Future Years*** — The President’s February Blueprint cut funding for international affairs sharply in real terms after 2002. The revised budget, however, restores a total of \$1.3 billion in the 2003 - 2006 period, including \$541 million for 2003. While this somewhat mitigates the reductions of the February Blueprint, the budget still represents cuts in real terms after 2002 as the table above indicates. Moreover, the budget in all years is well below the 2000 level in real terms.

- ! ***Plan Colombia*** — The budget includes \$948 million for all international antinarcotics programs, including an expanded Plan Colombia initiative. Plan Colombia is a cooperative program with the government of Colombia and other nations in the Andean region of South America to control illegal narcotic production and trafficking and improve law enforcement. The budget provides \$615 million more than the level needed, according to CBO, to maintain purchasing power at the 2001 level for all antinarcotics programs.
- ! ***State Department Funding Increases At Expense of Other International Programs*** — As discussed further below, the budget increases funding for embassy security and overall State Department operations. Many independent reports have recommended even greater increases than the budget provides. These increases are affordable in part because funding for several programs, such as debt relief for highly indebted poor countries and Economic Support Funding for Israel and Egypt, is scheduled to be lower for 2002 than it was in 2001. The funding for other international programs outside of State Department operations is largely either cut or held flat to provide the remainder of the increase.
- ! ***Economic Support Fund (ESF) and Foreign Military Financing (FMF)*** — From 1986 through 1998, the ESF and FMF levels for Israel and Egypt remained constant. In 1998, then Prime Minister Benjamin Netanyahu made an agreement with the United States to increase FMF and decrease ESF for Israel over time. In a separate agreement reached with Egypt in 1998, ESF for Egypt is scheduled to gradually decrease over time as well. Israel's traditional levels had been \$1.2 billion in ESF and \$1.8 billion in FMF assistance, while Egypt received \$815 million in ESF and \$1.3 billion in FMF.

The budget maintains the funding glide paths envisioned in the 1998 agreements. The 2002 budget includes \$720 million for ESF and \$2.040 billion for FMF assistance for Israel. The ESF level for 2002 is \$120 million below the 2001 level, while the FMF level for 2002 is \$60 million more than the 2001 level.

The budget includes \$655 million in ESF assistance for Egypt, which is \$40 million below the 2001 level.⁵ The budget includes \$1.3 billion in FMF assistance, which has been the typical level of FMF assistance for Egypt since 1986.

The budget includes a total of \$2.3 billion in ESF assistance for about 50 countries and organizations, which is \$75 million less than the level needed, according to CBO, to maintain purchasing power at the 2001 level. However, given the anticipated \$100 million

⁵This excludes the effect of a 0.22 percent across-the-board reduction included in the 2001 appropriations act, which reduced Egypt's ESF to \$692.6 million and FMF to \$1.294 billion.

decreases for Israel and Egypt, \$25 million more is available for other countries. The budget includes a total of \$3.7 billion for FMF assistance, which is just above the level needed to maintain purchasing power at the 2001 level. However, given the \$120 million increase for Israel, there is about \$80 million less for other countries compared with the level needed to maintain purchasing power at the 2001 level. FMF assistance is provided to approximately 40 countries and organizations.

! ***Embassy Security*** — The budget provides \$1.3 billion for embassy security, which is about \$200 million above the level needed, according to CBO, to maintain purchasing power at the 2001 level.

! ***State Department and Diplomatic Funding*** — The budget provides \$3.7 billion for the operations of most U.S. diplomatic and consular programs, including support of our embassies and much of the State Department. This is \$400 million more than the level needed, according to CBO, to maintain purchasing power at the 2001 level.

***New Independent States and Eastern Europe
Funding Cut***

The budget includes \$808 million for assistance to the Independent States of the Former Soviet Union, which is \$20 million below the level needed to maintain purchasing power at the 2001 level. The budget also includes \$610 million in funding for the Support Eastern European Democracy (SEED) program, which is \$81 million below the level needed to maintain purchasing power at the 2001 level.

! ***Export-Import (Ex-Im) Bank of the United States Cut*** — The Ex-Im Bank, the official credit agency of the U.S., provides financing assistance to U.S. exporters and, when necessary, matches foreign subsidies so U.S. companies can compete for business on equal footing (approximately 77 countries provide export credit or subsidies). For 2000, the Ex-Im Bank appropriation of just over \$750 million supported \$15.5 billion in U.S. exports. The budget cuts the Ex-Im Bank's credit subsidy funding 25 percent, a cut of approximately \$220 million from the level CBO estimates is needed to maintain the Ex-Im Bank's activities at the 2001 level. The budget could thus reduce 2002 U.S. exports by up to \$4 billion.⁶

⁶The precise loss of U.S. exports for 2002 is difficult to estimate because the level of exports supported by a given appropriation varies from year to year.

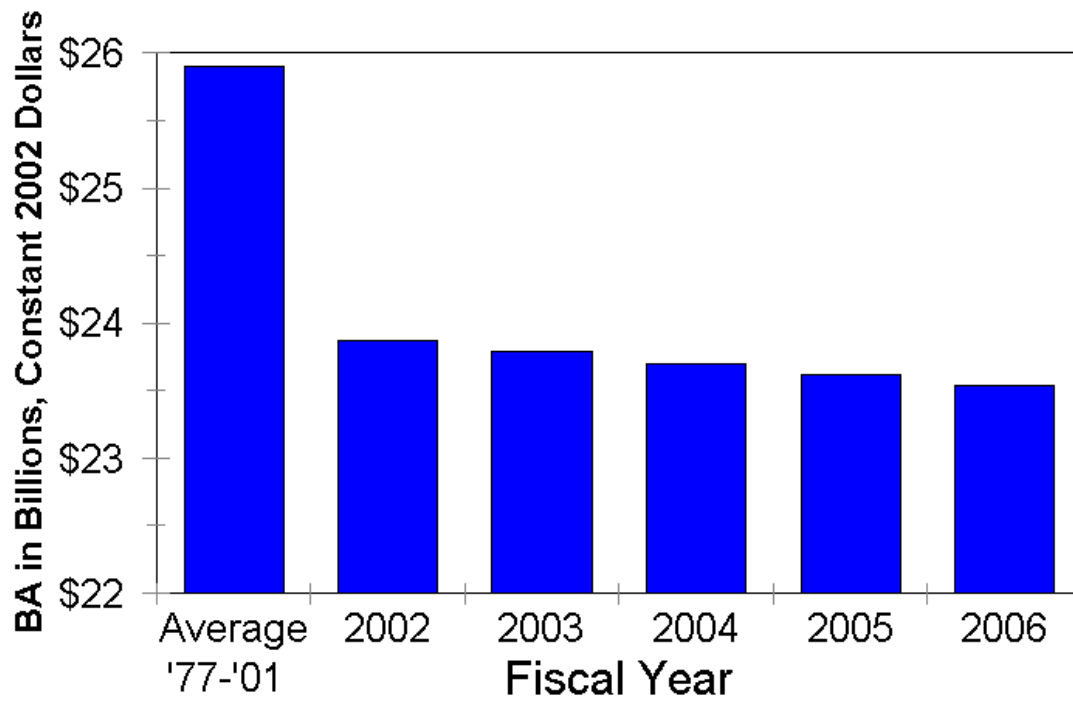
- ! ***Overseas Private Investment Corporation (OPIC) Cut*** — OPIC is an independent agency that offers political risk insurance and financing (loans, loan guarantees, direct equity investment funds) for U.S. businesses operating abroad. The budget contains no funding for OPIC for 2002 but expects OPIC to maintain its current level of credit programs with carryover balances of past appropriations. The 2001 appropriated level for OPIC was \$24 million. OPIC does not support projects that cause any job losses in the U.S., and small businesses provide two-thirds of the supplies used in OPIC projects. The budget will lessen OPIC's margin of reserves if default rates increase and the budget precludes new initiatives OPIC was contemplating for small businesses. Otherwise, it will have a limited impact on OPIC's 2002 activities.

- ! ***U.S. Foreign Aid in Comparison to Other Developed Countries*** — According to the most recent foreign aid figures from the Organization for Economic Cooperation and Development (OECD),⁷ the U.S. ranks 22nd in the world as a giver of foreign aid as a percent of gross national product (GNP). The U.S. level is one-tenth of one percent of GNP, which is a quarter of the average among developed countries. In absolute amount of foreign aid, the U.S. has ranked second behind Japan for several years and by increasing amounts (\$6 billion in 1999).

- ! ***International Affairs Spending from a Historical Perspective*** — The graph on the next page compares funding for Function 150 in the President's budget for 2002 - 2006 in constant 2002 dollars with the historical average over the 1977 - 2001 period. As the graph indicates, the President's budget provides less funding than the historical average for 2002. After 2002, the budget decreases slightly in real terms each and every year. The bottom line is that funding for international affairs is still well below recent historical levels, and the Bush budget keeps it below those levels.

⁷Data is for 1999 assistance. The OECD measurement is based on its definition of "official development assistance," consisting of grants or concessional loans to developing countries to promote economic development. Military assistance is not considered official development assistance. U.S. economic assistance to Israel is excluded because Israel is not considered a developing country by the OECD.

Function 150 in the Budget, 2002-2006, vs. Average Funding, 1977-2001



Function 250: General Science, Space, and Technology

This function includes the National Science Foundation (NSF), programs at the National Aeronautics and Space Administration (NASA) except for aviation programs, and general science programs at the Department of Energy.

The budget provides \$21.2 billion in funding for appropriated programs for 2002. This amount represents a cut of \$229 million for 2002 below the level needed, according to CBO, to maintain current services. The President's budget provides \$800 million less for 2002 than the budget resolution passed by the House, and \$1.4 billion less than the budget resolution passed by the Senate.

- ! **National Science Foundation** — The budget provides \$4.4 billion for appropriated programs in this function for NSF for 2002. This funding represents a cut of \$54 million below the amount needed, according to CBO, to maintain current services. The budget provides \$200 million for a Math and Science Partnership to strengthen education through collaborations between higher education and K-12 institutions. However, this one increase requires reductions of more than \$100 million below a freeze at the 2001 level for the rest of the agency. Areas cut below a freeze at the 2001 level include research in biological sciences, computer and information sciences, and geosciences. The budget also cuts investments in major research equipment by \$25 million (20.6 percent) below a freeze at the 2001 level.
- ! **NASA** — The budget provides \$13.6 billion for appropriated funding for NASA's space and science programs in this function. This amount cuts funding \$74 million below the level needed, according to CBO, to maintain current services for these programs. For 2002 NASA introduces a new accounting structure that reassigns mission support funding to the budget lines for space flight and for science, aeronautics, and technology. This change creates the appearance of increases in both of these areas. However, an "apples-to-apples" comparison of funding for these areas shows that the budget maintains funding for human space flight activities, while cutting programs in science, aeronautics, and technology below the level of a 2001 freeze. For 2002, research in the biological and physical sciences is cut by \$21 million (6.7 percent) below a freeze at the 2001 level and research in earth science is cut by \$206 million (13.9 percent) below a freeze at the 2001 level.
- ! **Department of Energy General Science Programs**— The budget provides \$3.2 billion for appropriations for general science programs at the Department of Energy. The funding level is \$17 million less than a freeze at the 2001 level, and \$101 million below the amount needed, according to CBO, to maintain current services. General science

programs at the Department of Energy support basic research in areas related to energy, as well as supporting certain government-wide research and development projects. Areas of research cut below the level of a freeze at the 2001 level include: biological and environmental research, which concerns the health and environmental impacts of energy use; and the fusion energy sciences program, which explores fusion as a future energy option.

Function 270: Energy

Function 270 comprises energy-related programs including research and development (R&D), environmental clean-up, and rural utility loans. Most of the programs are within the Department of Energy (DOE), although the rural utility program is part of the Department of Agriculture.

President Bush's budget for 2002 provides \$2.8 billion in appropriated funding for these programs. This is \$535 million below the level needed, according to CBO, to maintain current purchasing power and \$359 million below a freeze at the 2001 level. Relative to the level CBO estimates is needed to maintain purchasing power, the President's budget provides a \$1.1 billion increase over the ten-year period (2002-2011); however, over the five-year period (2002-2006) appropriated energy programs face a \$1.7 billion cut.

The receipts from marketing federally produced power and the fees that commercial nuclear reactors pay when generating electricity are recorded as negative mandatory spending in this function. Consequently, total spending is negative; the government makes more money than it spends on these energy programs.

- ! ***The President Breaks His Promise to Support Renewable Energy*** — Last fall, President Bush's Energy Issues Statement declared, "Governor Bush understands the promise of renewable energy and believes strongly in encouraging alternative fuel sources such as wind, biomass, and solar." But President Bush's budget cuts renewable energy resources by more than a third.
- ! ***Energy Supply*** — The President's budget provides \$505 million for applied energy research and development programs as well as programs providing environmental oversight and mitigation. This level represents a cut of \$156 million (23.6 percent) from the 2001 freeze level. Of the total, the budget provides \$237 million for renewable energy resources (a decrease of \$136 million or 36.4 percent from a freeze at the 2001 level) and \$223 million for nuclear energy research (a cut of \$23 million or 9.3 percent from a 2001 freeze level).
- ***Fossil Energy Research and Development*** — The budget provides \$449 million for fossil energy R&D, a decrease of \$96 million (17.7 percent) from the 2001 freeze level. The budget adds \$150 million for the President's Clean Coal Power Initiative, meaning that remaining programs in this category face cuts much deeper than 17.7 percent below a freeze. For example, the Fuels and Power Systems program, which among other things reduces emissions of air toxics and particulate matter in power plants, is cut by \$164 million, or 50.7 percent, below a freeze. The budget cuts natural gas programs by 53.4

percent (\$24 million) and petroleum programs by 54.4 percent (\$36.4 million), both below 2001 freeze levels.

- ***Energy Conservation*** — The budget includes \$795 million for energy conservation programs, which is \$20 million (2.5 percent) below a freeze at the 2001 level. As the chart below demonstrates, since this category includes the \$120 million increase for the Weatherization Assistance Program, cuts to other programs in this category are much larger than 2.5 percent.

Energy Conservation Funding in Function 270

(budget authority in millions of dollars)

	2001	2002	<i>Percent Change</i>
Building Technology, State and Community Sector			
Weatherization Grants	152.7	273.0	+ 78.8
State Energy and Program Grant	37.9	38.0	+ 0.2
Research and Development	1.406	56.1	-46.3
Subtotal, Building Technology, State and Community Sector	295.1	367.1	+ 24.4
Federal Energy Management Program	25.7	13.3	-48.2
Industry Sector	148.6	87.7	-41.0
Power Technology	47.3	47.3	0.0
Transportation Sector	255.4	239.4	-6.3
Policy and Management	43.3	40.1	-7.3
Total, Energy Conservation	815.4	795.0	-2.5

- ! ***Power Marketing Administrations (PMAs)*** — The budget provides \$205 million for the three federally subsidized PMAs, which sell to public utilities and cooperatives the electricity generated primarily by hydropower projects at federal dams. This represents an increase of \$5 million (2.5 percent) over a freeze at the 2001 level and is roughly equal to the amount needed, according to CBO, to maintain purchasing power at the 2001 level. PMAs also arrange to buy and re-sell, or “wheel,” power from other electricity producers. The net appropriation for wheeling is recognized as zero and the Appropriations Committee is not charged for the funding it appropriates for wheeling. The President’s budget for 2002 reflects \$222 million for wheeling, which represents funding available to the PMAs in addition to the \$205 million in the budget.

- ! ***Rural Electrification and Telecommunications*** — The President’s budget eliminates new loan funding for the Rural Telephone Bank, which cuts \$40 million for 2002 and \$494 million over the ten-year period (2002-2011).

- ! ***Elk Hills School Land Fund Change*** — The budget includes a shift away from advance appropriations for the settlement of longstanding “school lands” claims by the State of California to certain Elk Hills school district lands. The agreement between DOE and California provided for five yearly payments of \$36 million. To eliminate the accounting practice of advance appropriations, the budget will reclassify funds to be disbursed in 2003 into the budget for 2002. This accounting technicality creates the appearance of a \$36 million increase for 2002, but in fact represents no real change in the overall cost of this program.

Function 300: Natural Resources and Environment

Function 300 includes programs concerned with environmental protection and enhancement; recreation and wildlife areas; and the development and management of the nation's land, water, and mineral resources. This function does not include the large-scale environmental clean-up programs at the Departments of Defense and Energy.

Almost all of the funding in this function is appropriated funding. Mandatory spending in this function includes receipts from the use of public lands and related spending by the land management agencies.

Budget Summary

President Bush's April budget contains significant cuts in funding for many of the most crucial programs that protect public health and the environment. When combined with the President's recent rollback of important environmental regulations, this budget makes clear that protection of our nation's environment and natural resources is not a priority.

For 2002, the President's April budget provides \$26.4 billion in appropriations for natural resources and environmental programs. After an adjustment for the President's National Emergency Reserve Fund,⁸ this funding level is \$1.6 billion (5.7 percent) below a freeze at the 2001 level and \$2.6 billion (8.8 percent) below CBO's estimate of the level needed maintain current purchasing power. The funding situation for environmental programs only worsens in future years. Over ten years, the President's budget provides \$282.7 billion for environmental appropriations. With the same adjustment for the National Emergency Reserve, this funding level is \$44.6 billion (13.6 percent) below CBO's estimate of the level needed maintain current purchasing power.

Budget Details

! ***New Conservation Category Flat-Lined*** — The President's budget backtracks on last year's landmark agreement to set aside and protect funds for land and water conservation programs.⁹ Last year, an overwhelming and bipartisan majority in Congress voted to create a new category of appropriated funding for land and water conservation programs.

⁸ This adjustment removes about \$800 million in emergency appropriations for last summer's wildfires from the budget baselines for Function 300. See *Appropriated Programs* for more details on the President's National Emergency Reserve Fund and the reasons for this adjustment.

⁹ The conservation agreement is contained in Title VIII of the 2001 Interior Appropriations Act.

For 2001-2006, the funding in this new category is “fenced off” from other appropriated funds, and if appropriators do not utilize all of the funds in the category in any one year, any unused funding is available for appropriation the next fiscal year.

The category was set at \$1.6 billion for 2001 and is scheduled to grow by \$160 million per year through 2006, when it will reach \$2.4 billion. Under that schedule, appropriations from the category for 2002 through 2006 will total \$10.4 billion. However, the President’s budget abandons this funding schedule and flat-lines conservation funding at \$1.5 billion for 2002 to 2004 and \$1.6 billion for 2005 and 2006. This results in \$2.7 billion less in dedicated conservation appropriations over the five-year period. During consideration of the budget resolution, the Senate approved an amendment to undo the President’s cut to the conservation category for 2002 by adding \$200 million.

- ! ***Land and Water Conservation Fund (LWCF) Programs*** — The President’s budget claims to provide “full funding” for the land acquisition programs traditionally funded by the LWCF.¹⁰ Full funding would mean \$900 million split evenly between federal land acquisition and grants to states. In fact, the President’s budget provides only \$390 million for federal land acquisition and uses the remaining \$60 million for unrelated assistance for private landowners.

As for the state LWCF grants, the Administration claims to provide \$450 million for 2002 and calls this amount a \$360 million increase over a 2001 freeze. However, that increase of that size is only made possible by repackaging funding for existing programs that provide conservation assistance to states. For example, the budget folds funding for the following programs into its total for state LWCF grants:

- ▶ Urban Park and Recreation Recovery Grants (\$30 million),
- ▶ Cooperative Endangered Species Conservation Fund (\$50 million),
- ▶ North American Wetlands Conservation Fund (\$25 million), and
- ▶ State Wildlife Grants (\$50 million).

- ! ***Drilling in the Arctic National Wildlife Refuge*** — The President’s budget assumes the opening of the Arctic National Wildlife Refuge (ANWR) for oil and gas drilling. This highly controversial proposal threatens an irreplaceable natural treasure while adding a limited amount to the nation’s oil and gas supplies. Although assumed in the budget, the Administration cannot implement this proposal without new legislation. The assumed receipts from drilling in ANWR show up in Function 920 (Undistributed Offsetting

¹⁰ Funding from the LWCF is counted as part of the total for the new conservation budget category that Congress created last year.

Receipts). Both the House and the Senate both rejected this proposal when crafting their respective budget resolutions.

- ! ***Environmental Protection Agency (EPA)*** — For 2002, the President's budget provides \$7.3 billion for EPA, \$500 million (6.4 percent) less than a freeze at the 2001 level. This funding level is \$800 million (9.4 percent) below CBO's estimate of the level needed to maintain current purchasing power. As described below, this cut falls mostly on aid for water infrastructure as well as science and technology programs.
- ! ***Water Infrastructure*** — For 2002, the President's budget provides \$850 million for the Clean Water State Revolving Fund (SRF) Program, not even two-thirds of last year's enacted level. As a consolation, the budget does contain \$450 million for a new grant program that Congress created last year to address the lingering problem of sewer overflows. For the Drinking Water SRF Program, the budget provides \$823 million, the same funding as last year. Finally, the budget zeroes out \$335 million in water infrastructure aid outside of the aforementioned programs. Overall, the cut to water infrastructure aid totals \$382 million from the 2001 freeze level. This cut comes as the bipartisan coalitions in both the House and Senate prepare to push for increased federal assistance to address the country's unmet clean water and drinking water needs.
- ! ***EPA Science and Technology Programs*** — The Administration has said that it wants to make environmental decisions based on sound science, but at the same time it is cutting programs that provide the scientific basis for those decisions. Overall, the budget cuts EPA's science and technology account to \$641 million, a decrease of \$54 million (7.7 percent) from the 2001 freeze level. This cut includes a \$4.5 million cut to safe drinking water research and a \$6.3 million cut to research on key air pollutants.
- ! ***Cuts to Water Programs at U.S. Geological Survey (USGS)*** — The President's budget cuts the USGS budget to \$813 million, \$69 million (8.5 percent) below the 2001 freeze level. This overall cut includes \$20 million from the National Water-Quality Assessment Program (NAWQA) and \$10 million from the Toxic Substances Hydrology Program. NAWQA does essential water-quality monitoring and research to assess the state of the nation's waters and the pollution threats to those waters. The Toxic Substances Hydrology Program monitors for toxic substances in ground and surface water.
- ! ***Army Corps of Engineers*** — The budget cuts Army Corps of Engineers appropriated funding to \$3.9 billion, \$600 million (14 percent) below a freeze at the 2001 level and \$800 billion (16.9 percent) below CBO's estimate of the level needed to maintain current purchasing power. The budget includes no new construction efforts for 2002 and instead focuses on completing ongoing projects.

- ! ***Agriculture Conservation Programs*** — The President's budget eliminates the Agriculture Department's Wetlands Reserve Program, a cut of \$162 million. This voluntary program purchases long-term conservation easements from farmers to protect wetlands, thereby improving water quality and protecting wildlife. The program has been so popular that roughly three-fourths of interested farmers and ranchers have been turned away due to lack of funding.

The President's budget also eliminates other popular and effective conservation programs for agricultural producers: the Wildlife Habitat Incentives Program, the Farmland Protection Program, Soil and Water Conservation Assistance, and the Forestry Incentives Program.

- ! ***Global Climate Change*** — During consideration of the budget resolution, the Senate approved a Democratic amendment to add \$4.4 billion over ten years (2002-2011) for activities related to global climate change. Democrats offered this amendment to reverse the President's cuts to a range of programs aimed at understanding the global climate, voluntarily reducing greenhouse gas emissions, and spurring innovation in energy technologies.

Function 350: Agriculture

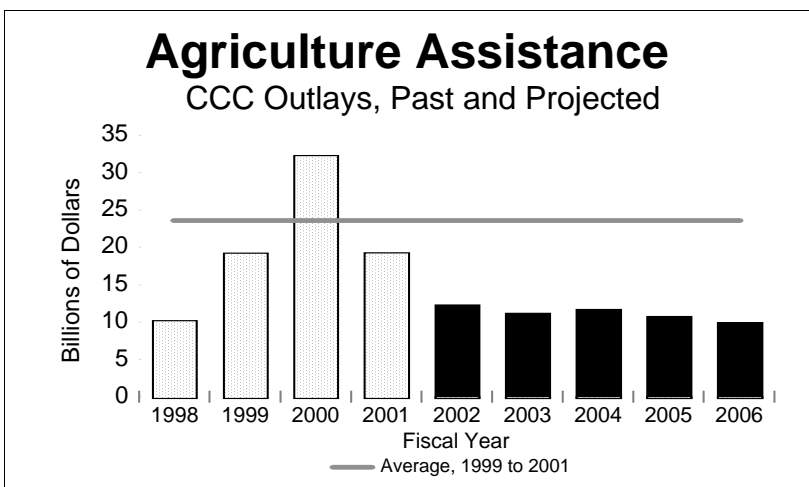
Function 350 includes farm income stabilization, agricultural research, and other services administered by the U.S. Department of Agriculture (USDA). The discretionary programs include: research, education, and rural development programs; economics and statistics services; meat and poultry inspection; and a portion of the Public Law (P.L.) 480 international food aid program. The mandatory programs include commodity programs, crop insurance, and certain farm loans.

- ***President Bush's Budget Ignores the Farm Safety Net and the Realities of the Current Farm Economy*** - The Bush budget dismisses the plight of America's farmers. Even though the Senate provided additional funding for agriculture and farm groups have made it clear that more money is needed, the Bush budget ignores the need. While squeezing the delivery system and cutting agricultural research dollars, the Bush budget suggests, "it appears that commodity prices are improving, [and] net cash income is projected to be over 90 percent of the average income in the 1990s." Prices may be inching up from Depression-era lows, but they are not rising fast enough for farmers to make a living this year without additional assistance. Net cash income has only risen because of steady support structures and, in many cases, because farm families have taken second jobs off the farm to supplement household income.

Emergency Spending

Agriculture has received over \$27 billion in ad hoc emergency spending since 1998, in response to both natural disasters and very low commodity prices. Crop yield loss as a result of drought or floods is difficult to predict, and historically assistance for crop yield loss has been provided through emergency spending. However, much of the emergency spending in the

past three years has also included income support because of desperately low prices, in addition to crop yield loss assistance, and the need for income assistance is likely to continue. It is unrealistic to expect that the levels of agriculture spending assumed in 2002 and beyond, which



are based on the *non-emergency* spending levels for agriculture in the recent past, will be sufficient to support America's farmers in today's farm crisis.

Bipartisan coalitions of farm groups have repeatedly underscored the need for additional assistance in hearings before the House Agriculture Committee, asking for as much as \$12 billion more per year. The Senate recently added \$59 billion to the budget over ten years for agriculture assistance, recognizing that the President's budget falls far short.

Empty Reserve Funds

Because the budget does not include any specific money to help farmers, some have suggested that the reserve funds could be used for this purpose. However, these reserve funds are not sufficient or available for this purpose.

There are two reserve funds in the President's budget: the National Emergency Reserve Fund (\$5.6 billion for 2002) and the Contingency Reserve Fund (\$841 billion over ten years), but neither of the two is likely to provide real help for farmers. First, the Emergency Reserve Fund falls short of the historical average amount Congress has spent on emergencies by over \$1 billion, *not including agriculture*. For agriculture, Congress has appropriated an average of \$9.0 billion per year for emergency payments over the past three years. If the entire reserve fund is used for agriculture — meaning no money for defense emergencies, earthquakes, forest fires, or anything else besides farmers — the reserve fund contains less than two-thirds of the average amount farmers have received in the past.

The Contingency Reserve Fund, which raids the Medicare Trust Fund, cannot be credibly said to contain money for farmers either. The Contingency Reserve Fund is used as a panacea for all that is lacking in President Bush's budget. It is intended to pay for a Medicare Prescription Drug Program, additional defense spending, transition costs for a new Social Security system, faulty ten-year economic forecasts, and any other need left unaddressed. The Contingency Fund runs out of money long before it runs out of uses, and all of the uses reduce the amount of debt repaid (for which the President's budget has already claimed credit).

The Incredible Shrinking Contingency Fund

Claimed Contingency Fund \$841 billion

Save the Medicare Surplus \$317 billion

Individual Social Security Accounts \$??? billion

Boost Defense as a % of GDP \$??? billion

Agriculture Policy Changes \$??? billion

National Missile Defense \$??? billion

Economic Downturn \$??? billion

Estimating Errors \$??? billion

Bigger Tax Cut \$??? billion

Fix the AMT \$??? billion

Under President Bush's reserve fund framework, agriculture competes with other priorities such as saving the Medicare trust fund, reducing debt, and strengthening defense. The Agriculture Committees must race to complete the commodity title of the Farm Bill, fracturing the important coalitions needed for reauthorization of the full Farm Bill. And since agriculture needs must be financed from the same pool of funds as defense needs, additional pressure is placed on the Committees. If the Pentagon completes its review before the Agriculture Committees finish their work, there may not be much — or anything — left for farmers.

- ***New User Fees in Marketing and Regulatory Programs*** — President Bush's budget implements new user fees for the Animal and Plant Health Inspection Service (APHIS) and the Grain Inspection, Packers and Stockyards Administration (GIPSA). The APHIS proposal would establish new user fees for costs for animal welfare inspections and the GIPSA proposal would establish a fee for grain standardization. These fees are estimated to raise \$5 million and \$4 million dollars per year respectively, and are used to pay for discretionary spending.

Appropriated Programs

President Bush's budget provides \$4.8 billion for appropriated agriculture programs for 2002, which is \$122 million below the amount needed, according to CBO, to maintain current purchasing power. Relative to the amount needed to maintain 2001 purchasing power, the President's budget cuts Function 350 by \$1.4 billion over the ten-year period (2002-2011).

- **Departmental Funding** — For 2001, USDA received \$19.3 billion for appropriated programs¹¹. President Bush's budget provides \$17.9 billion, a cut of \$1.4 billion (7.4 percent) *before* accounting for inflation. In order to keep USDA's purchasing power constant, CBO estimates the department would require \$19.6 billion, and President Bush has suggested an 8.7 percent cut from that level.

President Bush's Budget Falls Short for USDA (Dollars in Billions)			
The President Provides	Last Year's Level	Below Last Year	Percent Cut
17.9	19.3	-1.4	-7.4%
	Amount Needed to Keep Pace with Inflation	Below Level Needed	Percent Cut
	19.6	-1.7	-8.7%

Where are the Reductions Made?

- **Foreign Agricultural Service (FAS)** — The budget cuts P.L. 480 Title I, which provides concessional sales of U.S. agricultural commodities to developing countries and private entities, by \$112 million from last year's level. The Section 416 (b) Program, which donates surplus commodities to carry out programs of assistance in developing countries and friendly countries is cut by \$565 million from last year's level.
- **Marketing and Regulatory Programs** — President Bush's budget for 2002 provides \$1.2 billion for marketing and regulatory programs at USDA, a \$231 million cut below the 2001 freeze level. These programs include APHIS, GIPSA, and the Agriculture Marketing Service.
- **Reductions in Agricultural Research** — USDA spent \$2.3 billion for its four research and education agencies for 2001. For 2002, these agencies face a \$173 million cut below a freeze level.

¹¹The USDA discretionary budget includes funding from Function 350 (Agriculture), as well as funding from Functions 150 (International Affairs), 270 (Energy), 300 (Natural Resources and Environment), 370 (Commerce and Housing Credit), 450 (Community and Regional Development), 550 (Health), and 600 (Income Security).

USDA Research, Education, and Economics Agencies

(Dollars in Millions)

Program	2001	President's	
		Budget	Change
Agricultural Research Service (ARS)	1,012	969	-43
Cooperative State Research, Education, and Extension Service (CSREES)	1,138	994	-144
Economic Research Service (ERS)	66	67	+ 1
National Agricultural Statistics Service (NASS)	101	114	+ 13
Total Research Budget	2,317	2,144	-173

- ***Fewer Resources and New Priorities for Research*** — President Bush's budget reduces the overall level of USDA research funding and redirects remaining resources. The President's budget sets aside \$12 million for additional work to prevent and control exotic diseases and pests with special emphasis on Bovine Spongiform Encephalopathy (BSE or "mad cow disease"), \$7.5 million to support work on biotechnology, and \$15 million for work on biobased products and bioenergy to overcome technical barriers to low cost biomass conversion. Since there is no corresponding increase in overall resources these shifts mean an additional \$35 million cut to current research programs, on top of the \$173 million overall cut already in the budget.

Last-Minute Additions

- ***Additional Money for the Agriculture Quarantine Inspection Program (AQI)*** — On the day the President's budget was released, Secretary Veneman announced an additional \$32 million for more personnel at critical ports of entry to protect against pests and diseases. She stated that the \$32 million was above the levels displayed in the President's budget, and these levels would add \$13.5 million in resources for 2001 and \$18.6 million for 2002.

Function 370: Commerce and Housing Credit

Function 370 includes deposit insurance and financial regulatory agencies; the mortgage credit programs of the Department of Housing and Urban Development (HUD); the Department of Commerce's Census Bureau, its business promotion programs, and its technology development programs; rural housing loans; the Small Business Administration's business loans; the Postal Service; and other regulatory agencies such as the Federal Communications Commission (FCC).

Appropriated Programs

Under the President's budget, appropriated funding for Function 370 drops to a negative \$300 million for 2002, a decrease of \$1.0 billion from the 2001 level of \$700 million. Negative spending levels in this function are relatively commonplace, because the credit programs and the fee-funded programs in the function often receive more in collections than they spend. However, this drop in funding also results from cuts to programs and other policy changes, which are described below.

- ***Small Business Administration (SBA)*** — The President's budget increases fees for the 7(a) General Business Loan Program and the Small Business Investment Companies Participating Securities Program. These fees increases raise \$141 million for 2002. This change will increase the cost of borrowing for small businesses. For information on SBA's disaster loan program, see *Function 450 (Community and Regional Development)*.
- ***Cuts to Programs That Bridge the Digital Divide*** — The budget cuts the Commerce Department's Technology Opportunities Program by two-thirds, from \$46 million for 2001 to \$16 million for 2002. This program provides computers and Internet access to poor and underserved areas. This cut signals a retreat from efforts to encourage Internet use among minorities, the poor, and people in rural areas.
- ***Federal Housing Administration (FHA)*** — The President's budget makes a number of changes to FHA programs. First, it gives FHA the authority to insure hybrid adjustable-rate mortgages. The Administration claims this move will allow FHA to provide mortgages to an additional 40,000 families in 2002. Second, the budget increases FHA's maximum mortgage loan limits for multi-family projects by 25 percent. Third, the budget increases premiums for some FHA loan programs.
- ***Suspension of Advanced Technology Program*** — Pending a reevaluation of the program, the Administration suspends funding for new awards in the Commerce Department's Advanced Technology Program. This program, which received \$146 million for 2001,

provides assistance to U.S. businesses and joint R&D ventures to help them improve their competitive position. The goal of the program is to accelerate commercialization of technology that promises significant national economic benefits.

Mandatory Programs

Relative to spending under current law, the President's budget decreases mandatory spending by \$1.7 billion in budget authority and \$1.9 billion in outlays over 2002-2011. Most of this change results from the President's new state bank examination fees.

- ***State Bank Examination Fees*** — The President's budget includes new state bank examination fees by the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve. These fees are intended to recover the cost of supervising and regulating state-chartered banks and bank holding companies. Congress did not act on this proposal last year, and it is unlikely to pass this year. President Bush's budget includes \$1.2 billion in offsetting receipts and \$866 million in federal revenue from these fees over the period 2002 to 2011. House Republicans did not include these new fees in their budget resolution.

Function 400: Transportation

Function 400 is comprised mostly of the programs administered by the Department of Transportation (DOT), including programs for highways, mass transit, aviation, and maritime activities. The function also includes several small transportation-related agencies and the civilian aviation research program of the National Aeronautics and Space Administration (NASA).

For 2002, the President's budget provides \$62.1 billion in budgetary resources (appropriated budget authority plus mandatory contract authority). This funding level is \$600 million (1.0 percent) more than the 2001 enacted level. This overall increase for 2002 reflects a cut in discretionary budget authority of \$2.1 billion combined with an increase in mandatory contract authority of \$2.7 billion.

Cut to Discretionary Budget Authority— The President's \$2.1 billion cut to discretionary budget authority represents a \$2.8 billion cut for highway programs combined with a \$700 million increase for air and water transportation programs. Generally, federal aid for highway projects is not provided through discretionary budget authority.¹² Last year, however, Congress supplemented regular highway funding with discretionary budget authority. This funding went for such projects as the Woodrow Wilson Bridge (\$600 million), the Appalachian Development Highway System (\$254 million), and other projects around the country.

For 2002, the President's budget does not repeat the discretionary budget authority for these highway projects. The budget can still "fully fund" highway programs because of its increase in mandatory contract authority.

- ***Highways and Mass Transit***— For 2002, the President's budget provides the full amounts authorized for highways and mass transit by the Transportation Equity Act for the 21st Century (TEA-21). For highways, full funding totals \$32.3 billion, an increase of \$2.1 billion above the 2001 level. For mass transit, full funding is \$6.7 billion, up \$486 million from the 2001 freeze level.
- ***Federal Aviation Administration (FAA)***— For 2002, the President's budget provides the full amount authorized for FAA under the Aviation Investment and Reform Act for the 21st

¹² Some DOT programs are funded with traditional appropriations. However, highway programs, most mass transit programs, and the Federal Aviation Administration's airport improvement grants are usually funded with mandatory contract authority. The Appropriations Committees constrain the use of this mandatory contract authority by setting obligation limitations. Outlays resulting from the obligation limitations are counted as discretionary outlays.

Century (AIR-21). The level authorized in AIR-21 is \$13.3 billion, an increase of \$739 million (5.9 percent) from the 2001 freeze level.

- ***Coast Guard*** — The President's budget provides \$5.1 billion for the Coast Guard, a \$545 increase (12.1 percent) from the 2001 level. Of this increase, \$200 million is for operations and \$245 million is for capital costs.
- ***Amtrak*** — For 2002, the budget provides \$521 in capital funding for Amtrak, which represents a freeze at the 2001 funding level.
- ***Maritime Administration*** — For 2002, the President's budget eliminates funding for new loan guarantees under the Maritime Guaranteed Loan (Title XI) Program. This program guarantees loans for purchases from the U.S. shipbuilding industry and for shipyard modernization. For 2001, the program received \$34 million, enough to guarantee \$413 million worth of loans. For 2002, the President's budget provides \$4 million to cover only the costs of administering pre-existing guarantees.

Function 450: Community and Regional Development

Federal support for community and regional development helps economically distressed urban and rural communities. Major agencies and programs included in this function are the Empowerment Zones, Community Development Block Grant, the Economic Development Administration, the Appalachian Regional Commission, rural development programs in the Department of Agriculture, the Bureau of Indian Affairs, the Federal Emergency Management Agency, and the Small Business Administration's disaster loan program.

President Bush's budget includes \$10.1 billion for the Community and Regional Development function for 2002, a \$1.6 billion cut below the 2001 level. The budget includes \$52.5 billion for this function over years 2002 through 2006, \$8 billion below the level needed to maintain current services.¹³

- ! ***Community Development Block Grants (CDBG)*** — Community Development Block Grants provide funds for programs and activities for low- and moderate-income communities. The budget provides \$4.7 billion for the CDBG program, a \$516 million (9.7 percent) cut below the 2001 constant purchasing power level.
- ! ***Community Development Financial Institutions (CDFI) Fund*** — The CDFI Fund helps finance economic development in distressed communities through financial and technical assistance. The budget provides \$68 million for the CDFI fund for 2002, a \$52 million (43.3 percent) cut below the 2001 constant purchasing power level.
- ! ***Economic Development Administration*** — The Economic Development Administration (EDA) works to create jobs and implement comprehensive economic development strategies in distressed communities. The budget provides \$335 million for EDA, a \$96 million (22.3 percent) cut below the 2001 constant purchasing power level.
- ! ***Appalachian Regional Commission*** — The Appalachian Regional Commission (ARC) focuses on critical development issues on a regional scale. The budget provides \$66 million for ARC, a \$13 million (16.5 percent) cut below the 2001 constant purchasing power level.
- ! ***Rural Community Advancement*** — The Rural Community Advancement (RCA) program provides grants, loans, and loan guarantees to stimulate economic growth and build

¹³Calculations of last year's level exclude all emergencies designated within the function.

facilities in rural communities. The budget provides \$692 million in discretionary appropriations for RCA, a \$305 million (30.6 percent) cut below the 2001 constant purchasing power level.

- ! ***Bureau of Indian Affairs (BIA)*** — The Bureau of Indian Affairs (BIA) administers over half of the total federal funding for Native American programs and services. The budget includes \$1.8 billion for BIA, a \$42 million increase over the 2001 constant purchasing power level.
- ! ***Small Business Administration (SBA) Disaster Loans*** — The President's budget provides \$75 million in appropriations to administer the Small Business Administration's (SBA) disaster loan program, a \$33 million cut below the 2001 constant purchasing power level. The budget proposes legislation to raise interest rates charged to business borrowers from about 4.0 percent to approximately 5.5 percent.
- ! ***Federal Emergency Management Agency (FEMA) Disaster Relief*** — The President's budget includes \$1.4 billion in appropriations for FEMA disaster relief programs, a \$258 million (15.9) cut below the 2001 constant purchasing power level.

The budget includes two proposals that would impact states and localities under FEMA's flood insurance program. First, the budget proposes that publicly owned buildings carry disaster insurance. Second, the budget proposes that the federal share for hazard mitigation grants be reduced from 75 percent to 50 percent.

The budget includes savings resulting from two proposals to discontinue subsidized insurance coverage for specific properties. The budget phases out subsidized premiums for non-primary residences and businesses. In addition, the budget begins to remove several thousand "repetitive loss" properties from the program in 2002. "Repetitive loss" properties are those properties in flood plain areas that are flooded and rebuilt regularly with subsidized support. Neither the House budget resolution nor the Senate budget resolution included these proposals. The budget also eliminates the Project Impact Disaster initiative.